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 6

7
 8 UNITED STATES DISTRICT COURT
 9 NORTHERN DISTRICT OF CALIFORNIA
 10 SAN FRANCISCO DIVISION

11 GOOGLE INC., a Delaware corporation,

Case No. CV 04-03934 PJH

12 Plaintiff,

13 v.

**GOOGLE INC.'S OPPOSITION TO
 DEFENDANTS' MOTION TO
 DISMISS, OR IN THE
 ALTERNATIVE, TO TRANSFER**

14 COMPRESSION LABS, INC., a Delaware
 15 corporation; FORGENT NETWORKS, INC., a
 Delaware corporation, and GENERAL
 16 INSTRUMENTS CORPORATION, a Delaware
 corporation,

Date: December 8, 2004
 Time: 9:00 a.m.

17 Defendants.
 18

Court: Hon. Phyllis J. Hamilton

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1 Plaintiff Google Inc. (“Google”) submits this memorandum in opposition to the Motion
2 to Dismiss or Transfer filed by Defendants Compression Labs, Inc. (“CLI”), Forgent Networks,
3 Inc. (“Forgent”) (collectively “CLI/Forgent”) and General Instruments Corporation (“GI”).

4 I. INTRODUCTION

5 Google seeks declaratory judgment to vindicate its right to use the international JPEG
6 standard. Now that industries and their customers have adopted and become dependant on the
7 JPEG standard, CLI has asserted, almost eighteen years after issuance, that its U.S. Patent No.
8 4,698,672 (the “‘672 patent”) covers that standard, and brought three suits¹ alleging that some of
9 the largest high tech companies in the U.S., many of which realize billions of dollars in sales of
10 JPEG-compliant products, infringe that patent. In bringing those actions, CLI sued in the
11 Eastern District of Texas, Marshall Division, which has no nexus to any of the parties in the case
12 and which is over 280 miles away from CLI/Forgent’s principal place of business in Austin,
13 Texas, in the *Western* District of Texas.

14 To CLI/Forgent’s chagrin, however, CLI failed in each of the Texas actions to join its co-
15 owner in the ‘672 patent — GI — as a party. CLI/Forgent thus failed to bring a proper suit in
16 Texas. *See Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1467 (Fed. Cir. 1998). (“An
17 action for infringement must join as plaintiffs all co-owners.”). Unable to vindicate their rights
18 in the Texas actions, the defendants in those actions brought suit in other districts.² Google, for
19 instance, filed this suit in the Northern District of California, where its principal place of
20 business is located. Consequently, there are now eight separate actions pending in three federal
21 districts involving the ‘672 patent.

22 CLI/Forgent now belatedly seek to remedy their failure to join GI as a co-owner in their
23 original complaint with a last minute purported assignment from GI to CLI. Correspondingly,
24 Defendants move to dismiss this action, arguing that no actual controversy exists between
25

26 ¹ CLI, as the alter ego of Forgent, brought three suits in Texas, and collectively those suits are
27 referred herein to as “the Texas actions.” The last of those three suits filed on August 6, 2004,
named Google as a defendant, and is referred herein as “the Texas action.”

28 ² Sun Microsystems, Inc. and Yahoo! Inc. filed their declaratory judgment actions before CLI
sued them in Texas.

1 Google and either GI or Forgent and that the first-to-file rule necessitates dismissal or transfer of
2 this action to the Eastern District of Texas. Defendants also argue that this Court lacks personal
3 jurisdiction over them. Each of Defendants' arguments fail on the merits.

4 Defendants ignore that the first-to-file rule applies only "where the issues presented can
5 be resolved in an earlier-filed action pending in another district court." *Sutter Corp. v. P & P*
6 *Industries, Inc.*, 125 F.3d 914, 917 (5th Cir. 1997). Because CLI failed to join all co-owners of
7 the '672 patent, this declaratory judgment action is the first action filed where all issues
8 presented can be resolved. Thus, this action should proceed under the "first-to-file" rule, not the
9 Texas action.

10 Defendants also ignore that CLI has already sued Google for allegedly infringing the
11 '672 patent, so that there is an actual controversy regarding Google's right to use the
12 international JPEG standard. In resolving that controversy, Google properly joined all
13 "interested" parties in the '672 patent. Forgent is such an "interested" party because it utterly
14 controls the actions of its wholly-owned subsidiary CLI. Likewise, GI may continue to remain
15 an "interested" party, because Defendants have provided this Court with only part of the
16 agreement underlying the October 8 purported assignment.

17 Moreover, this Court may exercise either general or specific personal jurisdiction over
18 Defendants. CLI/Forgent have "continuous and systematic" contacts with California, including a
19 registered agent for the service of process and significant sales in California. Likewise, GI
20 operates as the Broadband Communication Sector of Motorola, Inc., which has "continuous and
21 systematic" contacts with California, including two offices, a registered agent for the service of
22 process and significant sales in California. Moreover, CLI/Forgent have deliberately engaged in
23 significant activities within California that directly relate to this case, and it is more than
24 reasonable to require CLI/Forgent to litigate this case here.

25 In the interests of judicial economy and efficiency, however, this Court should
26 temporarily stay ruling on this Motion pending decision by the Judicial Panel on the MDL
27
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1 Motion.³ If the Judicial Panel grants the MDL Motion, which it should, the cases pending before
2 this Court will be transferred to the MDL “transferee district court” for consolidated pretrial
3 proceedings, regardless of whether this Court has ruled on this Motion, so that deciding this
4 Motion now would be a waste of this Court’s resources.

5 For the reasons set forth herein, Google respectfully requests that this Court stay
6 resolution of this Motion pending a ruling on the request for consolidated pretrial proceedings
7 pursuant to § 1407. Alternatively, Google requests that this Motion be denied.

8 II. FACTUAL BACKGROUND

9 Between June 23 and August 6, 2004, CLI/Forgent threatened Google with suit should
10 Google refuse to license the ‘672 patent, which CLI/Forgent have alleged covers that standard.⁴
11 CLI/Forgent sent emails and letters to Google’s offices in California as well as engaged in
12 telephone conversation with Google employees located in California. On August 6, 2004,
13 CLI/Forgent followed through with its threats and CLI filed suit against Google in the Eastern
14 District of Texas, Marshall Division, over 280 miles away from CLI/Forgent’s principal place of
15 business in Austin, Texas. In doing so, however, they failed to join their co-owner in the ‘672
16 patent — GI — as a party.⁵

17 It is undisputed that GI was a co-owner in the ‘672 patent at the time that CLI filed the
18 Texas actions. Indeed, as Defendants acknowledged in the October 8, 2004, purported
19 Assignment, “Assignee [GI] owns a 50% undivided interest in, to and under U.S. Patent No.
20 4,698,672” Patent Assignment, attached as Ex. B to the Declaration of L. Steven Leshin.

21 Believing that the failure to join GI was fatal to that suit, Google brought this suit against
22 CLI/Forgent and GI on September 17, 2004, where its principal place of business is located —
23

24 ³ On September 27, 2004, Google along with Sun Microsystems, Inc. (“Sun”) and Yahoo! Inc.
25 (“Yahoo”), filed a motion with the Judicial Panel on Multidistrict Litigation (the “Judicial
Panel”). This motion is referred to herein as the “MDL Motion”.

26 ⁴ The facts related below are set forth in the Declaration of Ryan M. Kent filed herewith and
accompanying exhibits. Google requests that the Court take judicial notice of these facts under
Fed. R. Evid. 201.

27 ⁵ CLI brought two other suits in the Eastern District of Texas — Case Nos. 2:04-CV-158 and
28 2:04-CV-159 — before filing the action — Case No. 2:04-CV-294 — that named Google as a
defendant. CLI/Forgent failed to join GI as a plaintiff in those suits as well.

1 the Northern District of California. Many of the actions taken by or on behalf of CLI central to
2 this suit took place in this district as well. *See* discussion *infra* III.C.2.

3 Many of the other defendants reached the same conclusion that the Texas actions could
4 not vindicate their right to use the international JPEG standard. The defendants in the Texas
5 actions thus filed motions to dismiss in each of those actions, and many of those defendants filed
6 suit where they as well as the owners of the ‘672 patent were incorporated — the District of
7 Delaware. Accordingly, because CLI failed to bring a proper suit in Texas, there now exists
8 eight separate actions involving the ‘672 patent in three federal districts. On this basis, on
9 September 27, 2004, Google along with Sun and Yahoo, filed a motion with the Judicial Panel to
10 transfer the eight cases currently pending with respect to the ‘672 patent to a single judge for
11 consolidated pretrial proceedings pursuant to section 1407. Copies of the MDL Motion and
12 supporting papers are on file with the Clerk of this Court.

13 III. ARGUMENT

14 A. THIS ACTION IN THE NORTHERN DISTRICT OF CALIFORNIA IS THE 15 FIRST ACTION PROPERLY FILED

16 Defendants assert that the first-to-file rule requires that this case be dismissed or
17 transferred to the Eastern District of Texas. Defendants are correct that the “first-to-file” rule
18 generally governs the determination which of two similar cases in different federal courts should
19 proceed, *see, e.g., EEOC v. Univ. of Penn.*, 850 F.2d 969, 971 (3d Cir. 1988); *Crosley Corp. v.*
20 *Hazeltine Corp.*, 122 F.2d 925, 929 (3d Cir. 1941); *see also Kerotest Mfg. Co. v. C-O-Two Fire*
21 *Equipment Co.*, 342 U.S. 180 (1952). But they ignore that this rule applies only “where the
22 issues presented can be resolved in an earlier-filed action pending in another district court.”
23 *Sutter Corp. v. P & P Industries, Inc.*, 125 F.3d 914, 917 (5th Cir. 1997).

24 Because CLI failed to join all co-owners of the ‘672 patent, the Texas action was
25 improperly filed and could not resolve all issues relating to Google’s right to use the
26 international JPEG standard. Accordingly, this declaratory judgment action is the first action
27 filed where all issues presented can be resolved, and this action should proceed under the “first-
28 to-file” rule.

1 **1. The Texas Action Was Improperly Filed Because CLI Failed to Join All Co-**
2 **Owners of the ‘672 Patent.**

3 The Texas action was improperly filed because CLI/Forgent failed to join GI, a necessary
4 and indispensable party. CLI and GI each had a “50% undivided interest” in the ‘672 patent and
5 thus were co-owners of the patent at the time CLI filed the Texas actions. *See* Def. Mot. to
6 Dismiss at 3; Leshin Decl., Ex. B. As a matter of substantive patent law, “[a]n action for
7 infringement must join as plaintiffs all co-owners.” *Ethicon, Inc. v. U.S. Surgical Corp.*, 135
8 F.3d 1456, 1467 (Fed. Cir. 1998); *see also Int’l. Nutrition Co. v. Horphag Research Ltd.*, 257
9 F.3d 1324, 1331 (Fed. Cir. 2001) (“Even if CEP does hold the 50 percent interest in the ‘360
10 patent that formerly belonged to SCIPA, INC would still be barred from bringing suit without the
11 consent of Horphag, the co-owner of the patent.”). And absent an agreement to the contrary,
12 “one co-owner has the right to impede the other co-owner’s ability to sue infringers by refusing
13 to voluntarily join in such a suit.” *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345
14 (Fed. Cir. 1997) (citing *Willingham v. Lawton*, 555 F.2d 1340 (6th Cir. 1977)); *see also Int’l*
15 *Nutrition*, 257 F.3d at 1331.

16 Defendants argue in a footnote that a patent owner is not *per se* indispensable party to an
17 action involving the patent owned, citing *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1479
18 (Fed. Cir. 1998). That case, however, does not address the Federal Circuit’s holding in *Ethicon*
19 and cannot overrule that which it does not discuss. Moreover, *Dow Chem.* is inapplicable on the
20 facts. In *Dow Chem.*, the patent owner, ECPI, was the wholly-owned subsidiary of the plaintiff,
21 Exxon, and thus “as a practical matter, Exxon [Corp.] ha[d] both the duty and the capability of
22 protecting ECPI’s interests.” *See Dow Chem. Co.*, 139 F.3d at 1471, 1479. Only on that basis
23 did the Federal Circuit find that the subsidiary was not an indispensable party. *See id.* Here, no
24 such special relationship exists between GI and CLI, and thus GI was a necessary and
25 indispensable party to the Texas action.

26 **2. The October 8, 2004 Purported Assignment from GI to CLI Does Not**
27 **Change the First-Filed Status of This Action.**

28 As shown above, CLI had no capacity to bring the original suit and therefore there was
no jurisdiction arising from 35 U.S.C. § 281 over that pleading. Tacitly acknowledging that fact,

1 CLI and GI executed an Assignment on October 8, 2004, purporting to divest GI of all rights in
2 the '672 patent. Correspondingly, CLI amended its original complaint on October 12, 2004, to
3 assert that CLI was the "sole owner" of the '672 patent.⁶

4 CLI, however, cannot remedy its failure to join GI as a co-owner in its original complaint
5 with GI's last minute purported assignment. CLI's supplemental or amended complaint cannot
6 be used to enlarge or create jurisdiction which a plaintiff never had in the original complaint.
7 *See Miguel v. Country Funding Corp.*, 309 F.3d 1161, 1165 (D. Hawaii 2002) ("Rule 15(c) may
8 not be used to extend federal jurisdiction."); 28 U.S.C. § 2072 (the Federal Rules of Civil
9 Procedure cannot "abridge, enlarge or modify any substantive right."). Moreover, CLI's
10 supplemental pleading does not and should not relate back to the original pleading artificially to
11 create capacity and jurisdiction to bring the original infringement complaint, which CLI knew it
12 did not have when it filed the original complaint. *See USM Corp. v. GKN Fasteners, Ltd.*, 578
13 F.2d 21 (1st Cir. 1978) (amended pleadings "do not retrospectively validate the jurisdiction of
14 this court"); *Austin v. Trandell*, 207 F. Supp. 2d 616, 625 (D. Mich. 2002) ("it is axiomatic that
15 in order for the doctrine of relation back to apply, the prior pleadings must be properly filed and
16 the court must have jurisdiction over the claim at the time of the prior pleadings"); *PE Corp. v.*
17 *Affymetrix, Inc.*, 2001 WL 1180280 (D. Del. Sep. 27, 2001) (granting motion to amend
18 complaint to add patent owner but ruling that complaint did not relate back to original filing
19 because patent owner was not present in the original filing); *cf. GAF Bldg. Materials Corp. v. Elk*
20 *Corp.*, 90 F.3d 479, 483 (Fed. Cir. 1996) ("As explained above, there was no jurisdiction when
21 GAF filed its original complaint.... The district court did not abuse its discretion in adhering to
22 the motion requirement of Rule 15 or in determining that it was not in the interest of justice to
23 permit GAF to supplement its pleadings.").

24 _____
25 ⁶ CLI's Amended Complaint describes CLI as a "sole owner" of the patent-in-suit, whereas the
26 original filing describes them as a "co-owner." Such a change in the pleading is based upon
27 events which arose after the date of the original pleading and therefore should have been styled
28 as a "Supplemental Complaint." Fed. R. Civ. P. 15(d). Further to that end, Rule 15(d) requires
CLI to seek leave of the court to supplement its pleadings and by E.D. Tex. local rule to confer
with the defendant, something CLI never did. *Id.*; *GAF Bldg. Materials Corp. v. Elk Corp.*, 90
F.3d 479, 483 n.5 (Fed. Cir. 1996).

1 Because CLI's supplemental pleading does not relate back to the date of its original
2 filing, this action filed by Google is the first filed action and the Northern District of California is
3 properly the forum in which this dispute should be decided. *See Mallinckrodt Med., Inc. v.*
4 *Nycomed Imaging A.S.*, 49 U.S.P.Q. 2d 1474 (D. Mo. 1998) ("The Court finds that
5 Mallinckrodt's amended complaint does not relate back to the date of its original complaint;
6 therefore, the New Jersey action is the first-filed case and is properly the forum in which this
7 dispute should be decided.").

8 **B. BECAUSE CLI AND FORGENT ACT AS ALTER EGOS, THERE IS AN**
9 **ACTUAL CONTROVERSY BETWEEN GOOGLE AND FORGENT**

10 A declaratory judgment action requires an "actual controversy" between "interested"
11 parties. *Super Sack Mfg. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995).
12 There is an actual controversy where a defendant has manifested the intention to enforce the
13 patent against the declaratory plaintiff. *Arrowhead Indus. Water Inc. v. Ecolochem, Inc.*, 846
14 F.2d 731, 736 (Fed. Cir. 1988) ("If defendant has expressly charged a current activity of the
15 plaintiff as an infringement, there is clearly an actual controversy, certainty has rendered
16 apprehension irrelevant, and one need say no more."). In bringing suit against Google in the
17 Eastern District of Texas, CLI clearly manifested an intention to enforce the '672 patent against
18 Google. There is thus an actual controversy about the infringement of the '672 patent, so that, if
19 possible, all interested parties should be joined in a declaratory judgment action. *See State Farm*
20 *Mut. Auto. Ins. Co. v. Mid-Continent Cas. Co.*, 518 F.2d 292, 296 (10th Cir. 1975).

21 Forgent and GI claim, however, that this Court should dismiss them from this action,
22 asserting that they do not hold an ownership interest in the '672 patent. *See* Def. Mot. to Dismiss
23 at 4. But Forgent and GI mistake the facts of their ownership interest in the '672 patent.

24 GI may continue to remain an "interested" party in the '672 patent. Because CLI/Forgent
25 and GI have provided this Court with only part of the agreement underlying the October 8, 2004,
26 assignment, they have not provided the Court with sufficient information to determine whether
27 GI retains a financial interest in the '672 patent and hence remains a necessary and indispensable
28 party. CLI/Forgent and GI should remedy this nondisclosure immediately. To the extent that the

1 facts, once fully developed and examined, establish that GI has divested all interest in the ‘672
2 patent, Google will, at that time, dismiss GI from this action.

3 CLI’s assertion that Forgent has no ownership interest in the ‘672 patent ignores reality.
4 CLI is the wholly-owned subsidiary of Forgent. Compl. at ¶ 2. CLI has no principal place of
5 business and currently engages in no operations other than the licensing of one or more patents
6 through attorneys controlled by Forgent. *Id.* Forgent’s Form 10-K filing with the Security
7 Exchange Commission confirms that Forgent owns the ‘672 patent through its wholly-owned
8 subsidiary CLI. Forgent describes itself as controlling the litigation involving the ‘672 patent.
9 Declaration of Ryan M. Kent, Ex. A at 16 (Forgent’s 10/29/04 Form 10-K) (“During fiscal year
10 2004, Forgent initiated litigation against 31 technology companies for infringement of its ‘672
11 patent. In August 2004, the Company added 11 more technology companies.”). Likewise,
12 Forgent describes itself as controlling the licensing of the ‘672 patent. *Id.* at 4 (“Forgent also
13 initiated an active program for licensing its intellectual property, which developed into the
14 Company’s Patent Licensing Program. During fiscal year 2002, the Company signed its first two
15 patent license agreements, including one with Sony Corporation. These patent license
16 agreements relate to the Company’s data compression technology embodied in the ‘672 patent . .
17 . .”) Finally, Forgent describes itself as receiving the revenues from licensing the ‘672 patent.
18 *Id.* at 15 (“Intellectual property licensing revenues were \$31.2 million in fiscal year 2002, \$48.9
19 million in fiscal year 2003 and \$14.5 million in fiscal year 2004. . . . These licensing revenues
20 relate to one-time intellectual property license agreements with companies for Forgent’s data
21 compression technology embodied in U.S. Patent No. 4,698,672 Licensing of the ‘672
22 patent is currently conducted through the Company’s wholly-owned subsidiary, Compression
23 Labs, Inc. (‘CLI’”). Indeed, as Google pled, CLI and Forgent act as one another’s alter egos
24 and/or agents. Compl. at ¶ 5.

25 Considering the facts as pled and Forgent’s admissions, it is clear that Forgent controls
26 the actions of its wholly-owned subsidiary CLI and that CLI has no semblance of individual
27 identity. Thus, Forgent and CLI are each other’s alter ego, and Forgent may be held liable for its
28 subsidiary’s obligations. Lisa Chalidze, *Parent Corporation’s Liability For Lease Of Subsidiary*,

1 79 AM. JUR. TRIALS 1 (2004). Therefore, there exists an actual controversy between Google and
2 Forgent. *Cf. Al-Ibrahim v. Hadid*, 1997 WL 606283 (D. Colo. April 10, 1997) (“If Hall d/b/a
3 American Mortgage is Hadid’s alter ego or straw man, then an actual controversy affecting
4 plaintiffs’ ability to satisfy their judgment against Hadid exists as to the rights and legal relations
5 between plaintiffs, Hadid, and Hall d/b/a American Mortgage.”).

6 **C. THIS COURT HAS PERSONAL JURISDICTION OVER DEFENDANTS**

7 Personal jurisdiction in a patent case is a matter of Federal Circuit law, not the law of the
8 regional circuit in which a district court sits. *See Beverly Hills Fan Co. v. Royal Sovereign*
9 *Corp.*, 21 F.3d 1558, 1564-65 (Fed. Cir. 1994). Determining whether personal jurisdiction is
10 proper requires a two-step analysis: (1) does an applicable statute potentially confer jurisdiction
11 by authorizing service of process on the defendant and (2) does the exercise of jurisdiction
12 satisfy the requirements of due process. *See Deprenyl Animal Health, Inc. v. Univ. of Toronto*
13 *Innovations Found.*, 297 F.3d 1343, 1349 (Fed. Cir. 2002). Because California’s long-arm
14 statute extends personal jurisdiction to the limits permitted by the Due Process Clause of the
15 United States Constitution, *see* CAL. CIV. CODE § 410.10, the two-steps collapse into a single
16 inquiry — whether the defendants have “certain minimum contacts with [the forum] such that
17 the maintenance of the suit does not offend traditional notions of fair play and substantial
18 justice.” *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

19 To establish personal jurisdiction in California, as Defendants correctly note, Google
20 need only allege facts that, if true, would support the Court exercising personal jurisdiction over
21 the Defendants. *See Elecs. For Imaging, Inc. v. Coyle*, 340 F.3d 144, 1349 (Fed. Cir. 2003).
22 Google has done just that, demonstrating that the Court may assert either general or specific
23 personal jurisdiction over Defendants.

24 **1. Defendants are Subject To General Personal Jurisdiction in California**

25 Defendants’ contacts with California are sufficient to allow this Court to exercise general
26 jurisdiction over them. All that is necessary for general jurisdiction to be proper is that the
27 Defendants have “continuous and systematic general business contacts” with the state.
28

1 *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 446 U.S. 408, 416 (1984). To determine if a
2 defendant's activities qualify as "continuous and systematic," courts "examine all of the
3 defendant's activities that impact the state, including whether the defendant makes sales, solicits
4 or engages in business, serves the state's markets, designates an agent for service of process,
5 holds a license, has employees, or is incorporated there." *Hirsch v. Blue Cross, Blue Shield of*
6 *Kansas City*, 800 F.2d 1474, 1478 (9th Cir. 1986).⁷ According to its own admissions,
7 Defendants have sufficient contacts with California for this Court to exercise jurisdiction.

8 Forgent/CLI

9 Forgent and CLI's connections to the forum are attributable to both entities. Where a
10 "subsidiary is merely an agent through which the parent company conducts business in a
11 particular jurisdiction or its separate corporate status is formal only and without any semblance
12 of individual identity, then the subsidiary's business will be viewed as that of the parent and the
13 latter will be said to be doing business in the jurisdiction through the subsidiary for purposes of
14 asserting personal jurisdiction." Alan Wright and Arthur R. Miller, 4A FED. PRAC. & PROC.
15 CIV.3D § 1069.4 (2004). As the Federal Circuit explained, "[w]hile a patent holding subsidiary
16 is a legitimate creature and may provide certain business advantages, it cannot fairly be used to
17 insulate patent owners from defending declaratory judgment actions in those fora where its
18 parent company operates under the patent and engages in activities sufficient to create personal
19 jurisdiction and declaratory judgment jurisdiction." *Dainippon Screen Mfg. Co., Ltd. v. CFMT,*
20 *Inc.*, 142 F.3d 1266, 1271 (Fed. Cir. 1998).

21 As described above, Forgent controls the actions of its wholly-owned subsidiary CLI, and
22 CLI has no semblance of individual identity. CLI and Forgent act as one another's alter egos
23 and/or agents. Compl. at ¶ 5. CLI has no principal place of business and currently engages in no
24 operations other than the licensing of one or more patents through attorneys controlled by
25 Forgent. *Id.* Forgent's Form 10-K filing with the Security Exchange Commission confirms that

26 _____
27 ⁷ Although Federal Circuit law governs this determination, there is not a large body of Federal
28 Circuit law on general personal jurisdiction. Google thus turns to the law of other Circuits to
inform this Court's decision.

1 Forgent owns the '672 patent through its wholly-owned subsidiary CLI. *See* discussion *supra*
2 Part III.B.

3 Because Forgent has registered to do business in California and consented to service of
4 process upon a designated agent within the state, this Court can exercise jurisdiction over
5 CLI/Forgent. Many courts have exercised general jurisdiction based on registration alone,
6 reasoning that a registered corporation consents to jurisdiction, obviating the need for due
7 process analysis, or that registration to do business is *per se* sufficient evidence upon which to
8 conclude that the corporation has the necessary "minimum contacts" to satisfy due process. *See,*
9 *e.g., Continental Casualty Co. v. American Home Assurance Co.*, 61 F. Supp. 2d 128, 129-30 (D.
10 Del. 1999); *Bane v. Netlink, Inc.*, 925 F.2d 637, 640-41 (3d Cir. 1991) (holding that registration
11 constituted consent to suit on any cause of action and *per se* sufficient contacts to support the
12 exercise of general jurisdiction); *Wheeling Corrugating Co. v. Universal Constr. Co., Inc.*, 571
13 F. Supp. 487, 488 (N.D. Ga. 1983); *In re FTC Corporate Patterns Report Litig.*, 432 F. Supp.
14 274, 286 (D. D.C. 1977); *Sternberg v. O'Neil*, 550 A.2d 1105, 1113 (Del. 1988) ("[I]f a foreign
15 corporation has expressly consented to jurisdiction of a state by registration, due process is
16 satisfied and an examination of 'minimum contacts' to find implied consent is unnecessary.");
17 *see also* Wright & Miller, FED. PRAC. & PROC. § 1064, *Personal Jurisdiction-Traditional*
18 *Dogma* (2002). These decisions find support in the Supreme Court decision in *Pennsylvania*
19 *Fire Ins. Co. v. Gold Issue Mining & Milling Co.*, 243 U.S. 93, 95 (1917), which stood for the
20 proposition that a state may exercise general jurisdiction over any foreign corporation that
21 registers to do business in that state even where the cause of action arises outside the forum.
22 Indeed, even after the Court's decision in *International Shoe v. Washington*, 326 U.S. 310
23 (1945), cast doubt on the continued viability of that case, the Supreme Court in *Perkins v.*
24 *Benguet Consolidated Mining Co.*, 342 U.S. 437, 446 n. 6 (1952), suggested again that
25 registration constitutes *per se* minimum contacts, when it cited *Pennsylvania Fire Ins. Co.* and
26 the appointment of a statutory agent as an instance in which "continuous corporate operations
27 within a state" are of "such a nature as to justify suit against it on causes of action arising from
28 dealings entirely distinct from those activities."

1 Google, however, need not rest its argument on this ground alone.⁸ CLI/Forgent have
2 “continuous and systematic general business contacts” with California. Forgent sells its
3 NetSimplicity software product line in California. *See* Forgent’s 10/19/04 10-K at 3. The
4 flagship product, Meeting Room Manager, provides a complete meeting and meeting room
5 scheduling solution in an “easy-to-buy and easy-to-deploy application.” *Id.* at 4. As described at
6 its web site, Forgent has sold this scheduling software to many different companies across this
7 country. “Our Customers - By Industry,” <http://www.netsimplicity.com/customers/list.shtml>,
8 viewed on November 12, 2004. Of those companies, approximately sixty-four corporations have
9 offices in California, including the University of California at San Diego, the University of
10 Southern California, and Hewlett Packard. *See* Kent Decl., Ex. B (California Customers
11 Demonstrative). Forgent realized software and professional services revenues in the amount of
12 three million dollars in fiscal year 2004. *See* Forgent’s 10/19/04 10-K at 16. Of that, at least one
13 million dollars was from sales and service of Forgent’s NetSimplicity software. *See id.* (“The
14 \$2.5 million decrease in revenues from the Alliance product line was offset by a \$1.0 million
15 increase in revenues from the NetSimplicity product line.”). Considering that software and
16 professional services revenues represented 17.2% of total revenues for the years ended July 31,
17 2004, approximately 8% of Forgent’s total revenues arose from NetSimplicity sales.⁹ *See id.*
18 Although Google cannot cite what percentage of that revenue arose from sales in California
19 because Forgent is in sole possession of such information, it likely will be a substantial part of
20 those sales, considering the size of Forgent’s California customers.

21 These significant sales to large California entities alone are sufficient to satisfy the
22 demands of due process. *See Gator.Com Corp. v. L.L. Bean, Inc.*, 341 F.3d 1072, 1074, 1076-79
23 (9th Cir. 2003) (general jurisdiction found where defendant's sole contacts were its Internet Web
24 site and sales in the State of California, which accounted for six percent of its total sales);
25 *Michael J. Neuman & Associates, Ltd. v. Florabelle Flowers, Inc.*, 15 F.3d 721, 721-22 (7th Cir.

26 _____
27 ⁸ The Federal Circuit has not yet determined whether registering an agent for the service of
28 process in a state constitutes *per se* minimum contacts.

⁹ Presumably, some of the other total revenue reflecting primarily the sale of Alliance software
also arose from sales to customers in California.

1 1994) (annual sales ranging from \$10,000 to \$47,000 out of a total of \$4,000,000 in sales
2 constituted “doing business” in Illinois); *Mich. Nat’l Bank v. Quality Dinette, Inc.*, 888 F.2d 462,
3 465-66 (6th Cir. 1989) (furniture machine manufacturer, whose sales in Michigan accounted for
4 three percent of its total sales when combined with other factors were sufficient contacts for
5 general jurisdiction); *Northwestern Corp. v. Gabriel Mfg. Co., Inc.*, 1996 WL 7362, *3 (N.D. Ill.
6 Feb 16, 1996) (sales within the state as low as 1-2% of gross annual revenue were adequate for
7 conferring general personal jurisdiction); *Hulsey v. Scheidt*, 258 Ill. App. 3d 567, 572 (Ill. App.
8 Ct. 1994) (same); *June v. Vibra Screw Feeders, Inc.*, 149 N.W. 2d 480, 491-92 (Mich. App.
9 1967) (a dozens of sales in Michigan throughout the year, which altogether totaled over \$30,000,
10 were adequate for conferring general personal jurisdiction). Accordingly, Forgent’s lack of a
11 physical presence in California does not defeat personal jurisdiction here, given that Forgent
12 deliberately and purposefully availed itself, on a very large scale, of the benefits of doing
13 business within the state. *See id.*

14 Because CLI/Forgent have a registered agent for the service of process in California, and
15 engage in significant sales in California, this Court may exercise general personal jurisdiction
16 over them.

17 GI

18 GI has “continuous and systematic general business contacts” with California. GI
19 operates as the Broadband Communication Sector of Motorola, Inc. While GI’s headquarters are
20 located in Horsham, Pennsylvania, GI also has a research and development and administrative
21 offices in San Diego and San Jose, California. Kent Decl., Ex. C at 21 (Motorola’s 3/12/04 Form
22 10-K). GI, as the Broadband Communication Sector of Motorola, also has registered an agent
23 for the service of process in California. By maintaining two branch officers in California and by
24 appointing a statutory agent for the service of process, GI has “continuous corporate operations
25 within a state,” which are of “such a nature as to justify suit against it on causes of action arising
26 from dealings entirely distinct from those activities.” *Perkins v. Benguet Consolidated Mining*
27 *Co.*, 342 U.S. 437, 446 n. 6 (1952); *see also Koninklijke Luchtvaart Maatschappij v. Sup. Ct.*,
28

1 107 Cal. App. 2d 495, 500-501 (1951) (even though KLM had no flights into or out of
2 California, KLM still had substantial, continuous and systematic contacts with California, given
3 that it had a reservations office and an office for purchasing airplane parts and supplies).

4
5 Moreover, GI likely has significant sales in California. GI designs, manufactures and
6 sells a wide variety of broadband products for the cable television industry, high speed data
7 products, hybrid fiber coaxial network transmission systems used by cable television operators,
8 and digital satellite television systems for programmers. 3/12/04 Motorola 10-K at 18. Of those
9 sales, Comcast Corporation, which transacts a substantial amount of business in California,
10 accounted for approximately 40% of the segment's net sales in 2003. *Id.* at 19. Further
11 information regarding GI's sales is within the sole possession of GI.

12 Because GI maintains two offices, has a registered agent for the service of process, and
13 likely makes significant sales in California, GI has deliberately and purposefully availed itself,
14 on a very large scale, of the benefits of doing business within the state, and this Court may
15 exercise general personal jurisdiction over the Defendants.

16 **2. Defendants are Subject To Specific Personal Jurisdiction in California**

17
18 Not only are CLI/Forgent subject to general personal jurisdiction in California,
19 CLI/Forgent deliberately engaged in significant activities within California that directly relate to
20 this case and because it is more than reasonable to require CLI/Forgent to litigate this case here,
21 this Court may exercise specific personal jurisdiction over them. *See Inamed Corp. v. Kuzmak*,
22 249 F.3d 1356, 1360 (Fed. Cir. 2001).

23 Many of the actions taken by or on behalf of CLI central to this suit took place in this
24 district. CLI was headquartered in San Jose while the '672 patent was being prosecuted in the
25 U.S. Patent and Trademark Office ("PTO"). *See Kent Decl., Ex. D* (U.S. Patent Application
26 Serial No. 06/923,630 ("630 Application")). Indeed, the '672 patent itself discloses
27 "Compression Labs, Inc., San Jose, Calif." as assignee. *See Kent Decl., Ex. E* ('672 patent).
28 CLI employed the named inventors on the '672 patent — Wen-hsiung Chen and Daniel J.

1 Klenke, who are listed on the ‘672 patent as being residents of “Sunnyvale” and “Milpitas, both
2 of Calif.” *Id.* CLI even hired a California law firm to prosecute the ‘672 in the PTO. *See* ‘630
3 Application.

4 While headquartered in California, CLI also was actively involved in the JPEG standard
5 setting process that is at the heart of this case. Kent Decl., Ex. F at ¶¶ 69-95 (Complaint filed in
6 *Agfa Corp., et al. v. Compression Labs, Inc., et al.*, Case No. 04-818 SLR (D. Del.)). While CLI
7 resided in this district, a number of its executives consulted with the JPEG committee, attending
8 and participating in at least one meeting in California and twice voting for the standard’s
9 adoption. *Id.* at ¶ 91.

10 Furthermore, a significant portion of CLI’s actions relating to invalidity and inequitable
11 conduct took place in this district. While headquartered in this district, CLI filed a lawsuit in the
12 Superior Court of the State of California, County of Santa Clara, against a company named
13 Widcom, Inc. and several of its employees alleging, among other things, trade secret
14 misappropriation in June 1981. *Id.* at ¶ 50-60. CLI also filed a patent infringement lawsuit
15 against Widcom in the Northern District of California in December, 1985. *Id.* These suits prove
16 that CLI knew of the “Widcom VTC-56,” which is an anticipatory reference, but did not disclose
17 that device to the PTO.

18 Finally, although a patentee may “give proper notice of its patent rights” without
19 subjecting itself to personal jurisdiction, *Red Wing Shoe Co., Inc. v. Hockerson-Halberstadt,*
20 *Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998), CLI/Forgent’s two years of extensive contacts and
21 negotiations with various defendants in California go well beyond such notification. As
22 demonstrated by defendants’ declaration in the related case, *Sun Microsystems, Inc. v.*
23 *Compression Labs, Inc.*, CV 04-03124 PJH, CLI/Forgent’s contacts in this District included over
24 a dozen letters to Sun, numerous telephone calls, and two visits to Sun’s offices. *See* Leshin
25 Decl. filed in CV 04-03124 PJH at ¶¶ 6-30. CLI/Forgent also admits they engaged in licensing
26 negotiations by sending emails and letters to Google’s offices in California as well as engaged in
27 telephone conversation with Google employees located in California. *See* Leshin Decl. at ¶¶
28 4,5. CLI/Forgent also admits that it has engaged in licensing negotiations with numerous parties

1 in California, by its own admission entering into licensing agreements with at least seven
2 California residents. *See* Def. Mot. to Dismiss at 14; Leshin Decl. at ¶ 9.

3 These extensive contacts with at least seven California residents stand in stark contrast to
4 the *Oacis* decision cited by Defendants, *see* Def. Mot. to Dismiss at 13, where the court held that
5 the patent holder went only “*slightly* beyond merely notifying potential infringers.” *Oacis*
6 *Health Care Sys., Inc. v. Allcare Health Management Sys., Inc.*, 2000 WL 55040, at *3 (N.D.
7 Cal. Apr. 25, 2000) (emphasis added). CLI/Forgent’s contacts with Google, Sun and other
8 accused infringers lasted over a number of years, were far more extensive, and went well beyond
9 “merely notifying” Google and the other accused infringers of potential infringement. Moreover,
10 *Oacis* did not involve license agreements with residents of the forum state, which that court
11 indicated is a significant fact in this jurisdictional analysis. *Oacis*, 2000 WL 55040, at *2 (“none
12 of defendant’s licensees are incorporated in California or have their principal place of business in
13 California”); *see also Red Wing Shoe*, 148 F.3d at 1361 (“doing business with a company that
14 does business in [forum state] is not the same as doing business in [the forum state]”).

15 Any one of these contacts, taken alone, would be sufficient to support personal
16 jurisdiction. *See Red Wing Shoe*, 148 F.3d at 1359-60 (“even a single contact with a forum state
17 may suffice for personal jurisdiction if it is directly and substantially related to the plaintiff’s
18 claim”) (citing *McGee v. Int’l Life Ins. Co.*, 355 U.S. 220, 223 (1957)). Taken together, there can
19 be no legitimate dispute that CLI/Forgent are subject to personal jurisdiction in this Court.

20 “Once the plaintiff has shown that there are sufficient minimum contacts to satisfy due
21 process, it becomes defendants’ burden to present a ‘compelling case that the presence of some
22 other considerations would render jurisdiction unreasonable.’” *Electronics for Imaging*, 340
23 F.3d at 1351-52 (quoting *Burger King v. Rudzewicz*, 471 U.S. 462, 477 (1985)). The Supreme
24 Court and Federal Circuit have made clear that such compelling cases are “rare situation[s].”
25 *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994) (citing
26 *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 774-75 (1984) (minimum contacts “ordinarily
27 enough”)). Given the extent of CLI/Forgent’s contacts with this district, this is clearly not such a
28 “rare situation.”

1 **3. In The Alternative, Google Requests An Opportunity Through Discovery To**
2 **Present Facts Regarding Defendants' Contacts With California**

3 Google submits that the forgoing discussion sufficiently demonstrates that this Court has
4 personal jurisdiction over Defendants. If, however, this Court requires further proof, Google
5 requests the opportunity to discover such proof from Defendants and then present such facts at
6 an evidentiary hearing. *See Harris Rutsky v. Bell & Clements Ltd.*, 328 F.3d 1122, 1135 (Fed.
7 Cir. 2003) (district court “abused its discretion” in denying “jurisdictional discovery,” and “that a
8 remand will be necessary to allow ASR the opportunity to develop the record and make a prima
9 facie showing of jurisdictional facts . . .”). Only in this manner can Google discover facts
10 regarding, *inter alia*, Defendants' sales in California.

11 **D. DECISION ON THIS MOTION SHOULD BE STAYED PENDING A DECISION**
12 **BY THE JUDICIAL PANEL ON THE MDL MOTION**

13 On September 27, 2004, Google along with Sun and Yahoo filed a motion with the
14 Judicial Panel to transfer the eight cases currently pending with respect to the ‘672 patent to a
15 single judge for consolidated pretrial proceedings pursuant to section 1407.

16 Section 1407(a) specifies that the Judicial Panel may transfer and consolidate two or
17 more civil cases for coordinated pretrial proceedings upon a determination (a) that the cases
18 “involve[] one or more common questions of fact,” (b) that the transfers will further “the
19 convenience of the parties and witnesses,” and (c) that the transfers “will promote the just and
20 efficient conduct of [the] actions.” There is a compelling basis to consolidate the eight actions –
21 including this action – under § 1407.

22 The lawsuits all focus on whether the ‘672 patent is valid, enforceable and covers the
23 international JPEG standard. All of the defendants and declaratory relief plaintiffs use the
24 standard in various of their products or services. The actions thus present common, complex
25 questions of fact, on which duplicative deposition and document discovery and pretrial
26 proceedings will ensue absent consolidation. In particular, all the actions seek to construe the
27 claims of one patent — a vital, complex and time consuming aspect of all of the cases — and
28 determine whether that construction applies to the standard. Thus, consolidating the pretrial
proceedings in these cases under Section 1407 will not only serve the convenience of the parties

1 and witnesses, it will ensure the uniform interpretation and application of the patent and the
2 efficient conduct of the litigation. Moreover, given that there are literally many thousands of
3 additional potential defendants that have implemented the JPEG standard, only section 1407
4 consolidation would ensure that all tag-along actions would also be assigned to the same judge.

5 The Judicial Panel has repeatedly ordered § 1407 pretrial consolidation in situations such
6 as this where cases involving the same patent are pending in multiple courts. *See, e.g., In re*
7 *Columbia University Patent Litig.*, 313 F. Supp. 2d 1383 (J.P.M.L. 2004); *In re Mosaid*
8 *Technologies, Inc., Patent Litig.*, 283 F. Supp. 2d 1359 (J.P.M.L. 2003); *In re Mailblocks, Inc.,*
9 *Patent Litig.*, 279 F. Supp. 2d 1379 (J.P.M.L. 2003); *In re MLR, LLC, Patent Litig.*, 269 F. Supp.
10 2d 1380 (J.P.M.L. 2003). These cases involve consolidation of as many as seven, and as few as
11 two, separate cases. *See, e.g., In re Columbia University Patent Litig.*, 313 F. Supp. 2d at 1384
12 (§ 1407 consolidation of seven actions pending in four districts); *In re Mosaid Technologies,*
13 *Inc., Patent Litig.*, 283 F. Supp. 2d at 1360-61 (two actions consolidated); *In re Mailblocks, Inc.,*
14 *Patent Litig.*, 279 F. Supp. 2d at 1380-81 (two actions consolidated); *In re MLR, LLC, Patent*
15 *Litig.*, 269 F. Supp. 2d at 1380-82 (three actions consolidated).

16 While an action is not automatically stayed upon the filing of a § 1407 motion, it is
17 within the Court's authority and discretion to grant a stay, particularly "when it serves the
18 interests of judicial economy and efficiency." *Rivers v. Walt Disney Co.*, 980 F. Supp. 1358,
19 1360-62 (C.D. Cal. 1997) (granting stay; "it appears that a majority of courts have concluded that
20 it is often appropriate to stay preliminary pretrial proceedings while a motion to transfer and
21 consolidate is pending with the MDL Panel because of the judicial resources that are
22 conserved"); *see also U.S. Bank NA v. Royal Indemnity Co.*, 2002 WL 31114069, at *2 (N.D.
23 Tex. Sept. 22, 2002) (granting stay; "the Court recognizes that by granting the stay, the Court
24 will avoid the unnecessary waste of judicial resources if the MDL Motion is ultimately granted.
25 If the MDL Motion is granted, all of the Court's time, energy, and acquired knowledge regarding
26 this action and its pretrial procedures will be wasted."); *Namovicz v. Cooper Tire & Rubber Co.*,
27 225 F. Supp. 2d 582, 585 (D. Md. 2001) (stay frequently ordered to ensure that, "in the event
28 consolidation is ordered, there is consistent treatment of the numerous lawsuits and that judicial

resources are not wasted”) (citation omitted); *Aetna U.S. Healthcare, Inc. v. Hoechst Aktiengesellschaft*, 48 F. Supp. 2d 37, 43 (D. D.C. 1999) (granting stay; due to the “potential for common and overlapping issues[,] . . . a stay would further judicial economy and eliminate the potential for conflicting pretrial rulings were the case ultimately transferred”); *Good v. Prudential Ins. Co. of Am.*, 5 F. Supp. 2d 804, 809 (N.D. Cal. 1998) (“Courts frequently grant stays pending a decision by the MDL Panel[.]”).

Temporarily staying decision on this Motion would serve the interests of judicial economy. If the Judicial Panel grants the MDL Motion, the cases pending before this Court will be transferred to the MDL “transferee district court” for consolidated pretrial proceedings regardless of whether this Court has ruled on this Motion. Under these circumstances, deciding this Motion now would be a waste of this Court's resources. Indeed, right now three different federal courts have motions pending that involve many of the issues briefed herein.¹⁰ Moreover, the temporary stay will not prejudice CLI/Forgent since the Eastern District of Texas has declined to stay discovery.

Google therefore respectfully requests that this Court temporarily stay ruling on this Motion pending decision by the Judicial Panel on the MDL Motion.

IV. CONCLUSION

For the above stated reasons, Google respectfully requests this Court that this Court stay resolution of this Motion pending a ruling on the request for consolidated pretrial proceedings pursuant to § 1407. Alternatively, Google requests that this Motion be denied.

Dated: November 17, 2004

KEKER & VAN NEST, LLP

By: /s/ Ryan M. Kent
RYAN M. KENT
Attorneys for Plaintiff
GOOGLE INC., a Delaware corporation

¹⁰ In each of the Eastern District of Texas actions, the defendants have moved to dismiss on the ground that CLI failed to join GI. In the District of Delaware, CLI/Forgent and GI have moved to dismiss that action on similar grounds to the ones asserted in this district.